



United States Department of the Interior
BUREAU OF INDIAN AFFAIRS
WESTERN REGION OFFICE
P.O. BOX 10
PHOENIX, ARIZONA 85001

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PRIDE IN
AMERICA

IN REPLY
REFER TO:

Environmental Management, MS-620EM
602-379-3491

JUL 12 2005

Ms. Ann Robison, Lands Administrator
Hecla Mining Company
6500 Mineral Drive
Coeur d'Alene, Idaho 83815-8788

Subject: Amendment to Lease Agreement Providing for the Use of Real Property for the
Storage of Solid Waste Generated by the Hecla Mining Company

Dear Ms. Robison:

On September 25, 1995, the Hecla Mining Company ("Hecla") entered into an amendment to a November 21, 1983 Lease for the use of real property on the Shivwits Band of the Paiute Indian Tribe of Utah ("Shivwits Band"). This amendment was entered into by the Shivwits Band in conjunction with the Shivwits Band's consent to a transfer of ownership of the improvements from Hecla to the OMG Americas, Inc. ("OMG"). In the Amendment, the Shivwits Band expressly reserved the right to determine what steps would be taken to restore the premises upon termination of the Hecla lease which was reduced to the 8-acre "waste storage site" as a result of the transfer of Hecla's other leased property to OMG.

It is our understanding that Hecla is proposing to use earthen materials at the waste storage site ("Site") to place a cover over the solid waste in order to prevent the saturation of the solid waste and leaching of waste water away from the Site. Before Hecla expends significant funds for this alternative, we believe it is important to advise you of the position of the Bureau of Indian Affairs ("BIA") regarding the ultimate disposition of this rented property.

Upon the execution of the above-referenced Amendment in 1995, Section 10.6 ("Protection of Surface, Natural Resources and Improvements") was significantly revised, and now reads as follows:

"Lessee agrees to take such reasonable steps [as] necessary to prevent Lessee's operations on the Leased Premises from unnecessarily: (1) causing or contributing to soil erosion or damaging crops and forage; (2) polluting air or water; (3) damaging improvements owned by Lessor or other parties; or (4) destroying, damaging or removing fossils, historic or prehistoric ruins, artifacts, or other cultural resources. Upon any partial or total relinquishment, or the

cancellation or expiration of this Lease, or at any other time prior thereto, when required, and to the extent deemed necessary by the Lessor and Superintendent, Lessee shall fill any pits, ditches and other excavations, remove or cover all debris, and so far as reasonably possible, restore the surface of the Leased Premise and access roads to their former condition, including the removal of structures as and if required. The Lessor and Superintendent may prescribe the steps to be taken and restoration to be made with respect to the Leased Premises and improvements thereon. [Emphases added]

Lessee shall maintain a ten thousand dollar (\$10,000) bond to cover estimated reclamation costs and to ensure compliance with the environmental protection stipulations of this Lease."

This provision includes the underscored language giving the Shivwits Band and the Southern Paiute Agency broad discretion in establishing reasonable closure requirements, superseding former language which contemplated only remediation "in accordance with all applicable laws, rules, and regulations, at Lessee's sole discretion, but after consultation with the Lessor and the Secretary." While it may be true that Section 6.4 of the lease entitled "Conveyance of Improvements upon Termination" provides that "waste dumps or tailings impoundments shall be covered by capping with a suitable material," we note that those provisions were not amended in 1995, when the general restoration provisions were completely revised. We believe, therefore, that Section 6.4 and 10.6 must be read together. Furthermore, we believe that any closure work plan agreed upon by the Environmental Protection Agency and Hecla merely establish a minimum standard, with the concurrence of the Shivwits Band being required in any case pursuant to Section 10.6.

On the matter of insuring actions by Hecla at the Site were protective of human health and the environment, in 2004, the BIA retained Ninyo & Moore to provide environmental consultation. On October 19, 2004, the BIA, Shivwits Band, and Ninyo & Moore met with Mr. Chris Gypton, Project Manager and Senior Engineer, Hecla to conduct a tour of the Site. During that meeting, the BIA, Shivwits Band, and Ninyo & Moore presented to Mr. Gypton, the advantages of removing the solid waste from the rented property. At the same time, the Shivwits Band presented its request for Hecla to remove the solid waste ("clean closure") rather than capping the waste. In response, Mr. Gypton stated that Hecla would evaluate the clean closure option. To date, the BIA nor the Shivwits Band has received this evaluation.

On November 22, 2004, Ninyo & Moore, in their Site Inspection Letter (copy enclosed), provided their expert analyses of the option to cap the solid waste. That letter closes with their conclusion that "Ninyo & Moore believes that excavation and removal of the wastes present in Pond 2 would represent the most desirable closure option for the Site and that this option should be fully explored prior to final closure of Pond 2."

On May 27, 2005, the Shivwits Band sent the Southern Paiute Agency a letter (copy enclosed) authorizing the BIA to help with the removal of the waste at the Site. It is the position of the Shivwits Band that the ultimate disposition of this waste should be off of Tribal land in order to allow future use and development of the parcel where the Site is located.

Between the existing authority of the lease, as amended, the potentially negative environmental consequences of leaving the waste at the Site, and the limitations that this would have on the future use of the Site, the BIA is hereby advising Hecla that the ultimate disposition of this waste must be removal to an offsite location. This closure plan is consistent with the closure method taken by OMG for their generated solid waste. Please provide at your earliest convenience a response that outlines your position regarding the BIA's conclusions in this matter. Upon receipt, the BIA will then advise you of our planned action. Please also be advised that, in the event Hecla does not to comply with the clear intent of the Amendment and remove the waste, the BIA will consider pursuing legal action to effect this objective.

If you have any questions regarding real estate or environmental management, please contact Mr. Stan Webb at 602-379-6781 or Mr. John Krause at 602-379-3491, respectively.

Sincerely,

(Sgd) Bryan L. Bowker

Acting Regional Director

Enclosures

cc (w/encl to each):

- Lora Tom, Chairperson
Paiute Indian Tribe of Utah Tribal Council
- Glenn Rogers, Chairman
Shivwits Band of Paiutes
- Kellie Youngbear, Superintendent
Southern Paiute Agency
- Stan Webb, Chief
Real Estate Services
- Debbie McBride, Chief
Division of Environmental and Cultural Resources Management
- William Quinn, Attorney Advisor
Office of the Field Solicitor, Phoenix, AZ
- Carol Rushin, Assistant Regional Administrator
Office of Enforcement, Compliance and Environmental Justice
EPA Region 8
- Amy Swanson, Enforcement Attorney
EPA Region 8, 8ENF-L
- Chris Gypton, Project Manager and Senior Engineer
Hecla Mining Company
- Robert Troisi, Managing Principal
Environmental Sciences Division
Ninyo & Moore, Las Vegas, NV

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ENVIRONMENTAL MANAGEMENT

November 22, 2004

Project No. 301646001

Mr. John Krause
U.S. Department of the Interior
Bureau of Indian Affairs
Western Regional Office
Two Arizona Center
400 North 5th Street
Phoenix, Arizona 85004

EPA Document ID#
2163242
is a copy of this letter

Subject: Site Inspection Letter
Hecla Mining Company Apex Site Pond 2

Reference: Gila Management LLC, *Phase II – Sump Drainage System* dewatering progress
report, dated September 18, 2004.

Monster Engineering Incorporated, *Apex Site Final Engineering Report for Pond 2
Closure*, prepared for Hecla Mining Company, dated March 25, 2004.

Dear Mr. Krause:

On October 19, 2004, Ninyo & Moore personnel conducted a site visit of the Hecla Mining Company Apex Site Pond 2, located on the Shivwits Band Reservation outside of St. George, Utah. In the course of the visit, we met with Mr. John Jones of Gila Management and Mr. Chris Gypton of Hecla Mining Company who explained the process for closing and capping Pond 2 as disclosed in the Final Engineering Report – Pond 2 Closure Plan, dated March 25, 2004 (the Closure Plan). Based on observations made during the site visit, conversations with the parties involved with the closure activities, and study of select documents, we have identified a number of areas of concern regarding the planned closure activities and potential environmental impact to the Shivwits Band Reservation land.

The Pond is located hydraulically upgradient from the Santa Clara River and the Ivins Reservoir and it is possible that leachate escaping from the Pond could eventually find its way into these waterways and eventually into the Virgin River. However, no monitoring wells have been in-

stalled around the perimeter of the Pond to ascertain whether or not leaching of possibly contaminated water into native soil outside the Pond perimeter has occurred.

Ninyo & Moore recommends that several shallow groundwater monitoring wells be installed outside the perimeter of the Pond to a depth of approximately 30 feet below grade. Additional wells should be installed near the center of the Pond to a depth of the existing Pond liner utilizing an "air knife" drilling technique to limit the possibility of damaging the Pond liner while gaining access to the remaining water trapped at the bottom of the pond. Groundwater samples from these wells should be analyzed for the eight RCRA metals (arsenic, barium, cadmium, chromium, lead, mercury, selenium, and silver). In addition, since observation of the sumps placed in the Pond area revealed a possible petroleum sheen on the water within the sumps, the water samples should be analyzed for total petroleum hydrocarbons (TPH) as well.

The Phase II – Sump Drainage System dewatering progress report, dated September 18, 2004, indicates that the methods of dewatering deployed to date, including installation of vertical wicks and vertical sumps, are designed to lower the subsurface water level to an elevation at or below the top of the lip of the external berm of the pond. That elevation is estimated to be approximately 5 feet below grade. The Closure Plan contains no procedures or methods for dewatering Pond 2 to the greatest extent possible prior to closure. Observations made during the site visit suggest that water present within Pond 2 has breached the lip of the external berm of the Pond and is seeping out on the south wall of the containment.

Additionally, the evaporation ponds constructed on top of Pond 2 are likely of inadequate size and quality to handle the significant quantity of water that is present in the impoundment and stand up to environmental factors such as wind. Salt residue accumulating in the evaporation ponds may present a hazard if it becomes airborne due to windy conditions. Ninyo & Moore recommends that the accumulated salt residue be routinely removed from the evaporation ponds and disposed of in accordance with applicable local, state, and federal regulations. Ninyo & Moore further recommends installation and operation of a more effective dewatering and evaporation Pond system to aggressively remove as much water as practicable from Pond 2 prior to final clo-

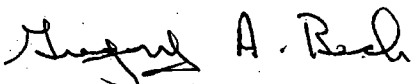
sure in order to minimize the chances of future leaching of water from the Pond into the surrounding environment.

During the site visit, Mr. Gypton mentioned the possibility that a relatively nearby landfill may be capable of accepting soil excavated from Pond 2. Mr. Gypton indicated that the option of excavating the Pond was open pending consideration of feasibility and cost. Ninyo & Moore believes that excavation and removal of the wastes present in Pond 2 would represent the most desirable closure option for the site and that this option should be fully explored prior to final closure of Pond 2.

Ninyo & Moore recommends that the issues raised above be discussed and resolved prior to completion of closure activities at Pond 2. This letter is intended only to express initial findings and opinions reached by Ninyo & Moore as a result of the tour of Pond 2 and discussions conducted on October 19, 2004. In accordance with the purchase order, Ninyo & Moore will be issuing a comprehensive report of findings relating to Pond 2 based on site visits and a complete review of relevant documents pertaining to Pond 2 at a later date.

We appreciate the opportunity to be of service to you on this project. Should you have any questions, please contact the undersigned at your convenience.

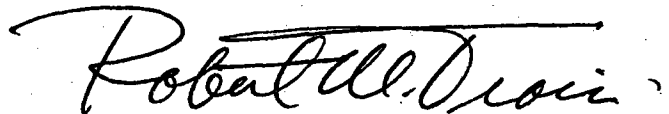
Sincerely,
NINYO & MOORE



Gregory A. Beck, C.E.M.
Project Environmental Scientist

GB/RMT/rlm

Distribution: (1) Addressee



Robert M. Troisi, C.E.M.
Managing Principal,
Environmental Sciences Division



SHIVWITS BAND OF PAUTES

P.O. Box 448 • Santa Clara, Utah 84765

May 27, 2005

BUREAU OF INDIAN AFFAIRS
SOUTHERN PAIUTE AGENCY
P.O. BOX 720
ST. GEORGE, UTAH 84770

RE: HECLA POND

DEAR KELLY YOUNGBEAR:

THE SHIVWITS BAND COUNCIL, IS AUTHORIZING THE BUREAU OF INDIAN AFFAIRS, SOUTHERN PAIUTE AGENCY TO HELP WITH THE REMOVAL OF THE HECLA POND.

WE ARE CONCERNED THAT THE POND IS AN EYE SORE AND MAY BECOME A DANGER TO OUR HEALTH AND FOR THE HEALTH OF THE PLANTS AND ANIMALS IN THE SURROUNDING AREA.

THANK YOU FOR YOUR TIME. IF THERE ARE ANY QUESTION OR CONCERNS REGARDING THIS LETTER PLEASE CONTACT GLENN ROGERS AT (435) 619 - 0398.

SINCERELY,

GLENN ROGERS
SHIVWITS BAND CHAIRMAN

